

**IOWA RACING AND GAMING COMMISSION
MINUTES
JULY 9, 2015**

The Iowa Racing and Gaming Commission met on Thursday, July 9, 2015 at The Meadows Event and Conference Center, Prairie Meadows Racetrack and Casino, Altoona, Iowa. Commission members present were Jeff Lamberti, Chair; Carl Heinrich, Vice Chair; and members Rich Arnold, Kris Kramer and Dolores Mertz.

Chair Lamberti called the meeting to order at 8:30 AM, and requested a motion to approve the agenda. Commissioner Mertz so moved. Commissioner Kramer seconded the motion, which carried unanimously.

Chair Lamberti moved to the approval of the minutes from the June 4, 2015 Commission meeting, noting they had been previously disseminated. Commissioner Kramer moved to approve the minutes from the June 4, 2015 Commission meeting as submitted. Commissioner Arnold seconded the motion, which carried unanimously.

Chair Lamberti moved to the announcements, and called on Brian Ohorilko, Administrator of the Iowa Racing and Gaming Commission. Mr. Ohorilko provided the following information regarding future Commission meetings:

- August 20, 2015 – Riverside Casino & Golf Resort, Riverside, IA (Submissions due by August 6, 2015)
- September 24, 2015 – Mystique Casino, Dubuque, IA (Submissions due by September 10, 2015)
- November 19, 2015 – Prairie Meadows Racetrack & Casino (Submissions due by November 4, 2015)

Mr. Ohorilko advised there will be a Public Hearing on July 29, 2015 regarding the Greyhound Cessation Fund rules. The hearing will be held at Prairie Meadows Racetrack & Casino in Salons 2 and 3 commencing at 8:30 AM. Those wishing to address the Commission should plan to arrive early to sign up.

Mr. Ohorilko also advised Commission staff will be having a demonstration on exchange wagering. The tentative date is July 28th. He noted the Commission, due to legislation passed this year, has been tasked with studying exchange wagering and writing a report to be delivered to the Legislature by December 1st. Mr. Ohorilko stated the demonstration will be conducted by Bet Fair. Additional information on the demonstration will be sent out to interested parties when it is available.

Chair Lamberti called on Caesar's Entertainment Corporation for an update on the bankruptcy proceedings. Lorraine May, legal counsel, noted Caesar's Entertainment Operating Company,

Inc. (CEOC) and related debtors filed for voluntary bankruptcy on January 15, 2015 and the proceedings are going forward in the Bankruptcy Court in Chicago. She advised the company continues to have sufficient cash on hand to meet its operational obligations. Ms. Eick stated the bankruptcy proceedings have not interrupted operations; that the restructuring is only intended to deleverage the company's balance sheet and not impact the day-to-day business operations. The deadline for general creditors to file claims passed on May 26th; government entities have until July 14th to file their claims. With regard to the restructuring, on May 27th, the Court entered an order extending the Company's exclusive period to file a Chapter 11 plan until November 15th of this year and extended the Company's exclusive period to solicit acceptances of the Chapter 11 plan until January 13, 2016. She stated the Chapter 11 plan and related disclosure statements filed by the Company on March 2nd are still pending while the company pursues the reorganization and continues to build consensus among its stakeholders. Ms. May stated the Restructuring Support Agreement entered into with certain senior creditors prior to commencing the bankruptcy case remains in place. She state the Company expects a ruling from the Bankruptcy Court regarding CEOC's pending action to stay certain limited party litigation against the parent company, Caesar's Entertainment on or after July 22nd. Additionally, a trial on the involuntary petition of CEOC is scheduled for October 5th – 7th, and October 13th-15th.

Hearing no comments or questions for Ms. May, Chair Lamberti moved to the contract approval portion of the agenda, and called on Isle of Capri Bettendorf, L.C. d/b/a Isle Casino Hotel Bettendorf (IOCB). Don Ostert, General Manager for Lady Luck Casino Marquette, presented a contract with Aruze Gaming America, Inc. for the purchase of slot machines.

Hearing no comments or questions concerning the contract, Chair Lamberti requested a motion. Commissioner Mertz moved to approve the contract as submitted by IOCB. Commissioner Arnold seconded the motion, which carried unanimously.

Chair Lamberti called on Isle of Capri, Marquette, Inc. d/b/a Lady Luck Casino Marquette (LLCM). Mr. Ostert presented a contract with Aruze Gaming America, Inc. for the purchase of slot machines.

Hearing no comments or questions concerning the contract, Chair Lamberti requested a motion. Commissioner Heinrich moved to approve the contract as submitted by LLCM. Commissioner Kramer seconded the motion, which carried unanimously.

Chair Lamberti called on Grand Falls Casino Resort, LLC d/b/a/ Grand Falls Casino Resort (GFCR). Joe Massa, Chief Operating Officer, presented a contract with Wessels Oil Company, Inc. for propane gas.

Hearing no comments or questions concerning the contract, Chair Lamberti requested a motion. Commissioner Arnold moved to approve the contract as submitted by GFCR. Commissioner Mertz seconded the motion, which carried unanimously.

Chair Lamberti called on Diamond Jo Worth, LLC d/b/a Diamond Jo Worth (DJW). Kim Pang, General Manager, presented the following contracts for Commission approval:

- Agilysys – Maintenance Contracts, Software Upgrade, Hardware Upgrade
- Hussman – Convert Gas Piping, Regulators, HVAC and Kitchen Equipment from LP Gas to Natural Gas
- Jim and Dude's - Convert Gas Piping, Regulators, HVAC and Kitchen Equipment from LP Gas to Natural Gas
- Schwickert's Tecta America - Convert Gas Piping, Regulators, HVAC and Kitchen Equipment from LP Gas to Natural Gas
- Young Plumbing and Heating - Convert Gas Piping, Regulators, HVAC and Kitchen Equipment from LP Gas to Natural Gas

Mr. Pang advised one of the four proposed vendors would be selected regarding the conversion from LP gas to natural gas. He will advise the Commission which vendor was selected at the August Commission meeting.

Hearing no comments or questions concerning the contracts, Chair Lamberti requested a motion. Commissioner Mertz moved to approve the contracts as submitted by DJW. Commissioner Kramer seconded the motion, which carried unanimously.

Chair Lamberti called on Rhythm City Casino, LLC d/b/a Rhythm City Casino (RCC). Mr. Massa presented the following contracts for Commission approval:

- AAA Pools – Construction – Pool
- ASC Insulation & Fireproofing – Construction – Fire Proofing
- Builders Sales & Service Company – Construction – Framing, Drywall, Insulation
- Builders Sales & Service Company – Construction – Acoustic Wall Panel
- CJ Moyna & Sons, Inc. – Construction – Grading
- RG Construction Services, Inc. – Construction – Operable Partitions
- Streb Construction Co., Inc. – Construction – Site Paving & Sidewalks

Hearing no comments or questions concerning the contracts, Chair Lamberti requested a motion. Commissioner Heinrich moved to approve the contracts as submitted by RCC. Commissioner Mertz seconded the motion, which carried unanimously.

Chair Lamberti called on SCE Partners, LLC d/b/a Hard Rock Hotel & Casino Sioux City (Hard Rock). Dan Welch, Director of Table Games, presented the following contracts:

- Thames Live, Ltd. – Entertainment Act
- Think Ink Tours, LLC - Entertainment Act
- Runnin' Band, Inc. – Entertainment Act
- USPS – Postage
- Sioux City Journal Communications – Advertising
- W.A. Klinger, LLC – General Contractor for Construction Project for Battery Park
- Sure Sound & Lighting – Lighting & Sound for Stage Equipment
- Gem Promotions, LLC – Promotional Items

- Gary Allan Tours, Inc. – Entertainment Act

Hearing no comments or questions concerning the contracts, Chair Lamberti requested a motion. Commissioner Mertz moved to approve the contracts as submitted by Hard Rock. Commissioner Kramer seconded the motion, which carried unanimously.

Chair Lamberti called on Harvey's Iowa Management Company, Inc., d/b/a Harrah's Council Bluffs Casino and Hotel (Harrah's). Janae Sternberg, Director of Finance, presented the following contracts for Commission approval:

- Agilysys – Point of Sale Vendor
- Southwest Airlines – Guest/Employee Travel

Hearing no comments or questions concerning the contracts, Chair Lamberti requested a motion. Commissioner Heinrich moved to approve the contracts as submitted by Harrah's. Commissioner Mertz seconded the motion, which carried unanimously.

Chair Lamberti called on Iowa West Racing Association d/b/a Horseshoe Casino/Bluffs Run Greyhound Park (HC/BRGP). Ms. Sternberg presented the following contracts for Commission approval:

- Energyefficient – Lighting Efficiency Vendor
- Southwest Airlines – Guest/Employee Travel
- Agilysys – Point of Sale Vendor

Hearing no comments or questions concerning the contracts, Chair Lamberti requested a motion. Commissioner Mertz moved to approve the contracts as submitted by HC/BRGP. Commissioner Kramer seconded the motion, which carried unanimously.

Chair Lamberti called on the Iowa Greyhound Association (IGA). Nick Mauro, legal counsel, presented a contract with MassMutual for a 401K for employees.

Hearing no comments or questions concerning the contract, Chair Lamberti requested a motion. Commissioner Mertz moved to approve the contract as submitted by the IGA. Commissioner Heinrich seconded the motion, which carried unanimously;

Chair Lamberti called on Prairie Meadows Racetrack & Casino, Inc. d/b/a Prairie Meadows Racetrack & Casino (PMR&C). Ann Atkin, Chief Operating Officer, presented the following contracts for Commission approval:

- Aruze Gaming America, Inc. – Gaming Equipment & Supplies
- VHF Sales – Purchase of Water Heaters & Related Supplies

Hearing no comments or questions concerning the contracts, Chair Lamberti requested a motion. Commissioner Mertz moved to approve the contracts as submitted by PMR&C. Commissioner Heinrich seconded the motion, which carried unanimously.

Chair Lamberti moved to the review of the horsemen's groups audits and called on the Iowa Horsemen's Benevolent Protective Association, Inc. (IHBPA) and the Iowa HBPA Benevolent Trust. Jon Moss, Executive Director, advised the audit submitted is a consolidated report. He noted the IHBPA is statutorily required to help promote and provide guidance to the Iowa thoroughbred industry. He stated his belief that the organization is using the funds received very effectively; he noted the number of stallions has increased, not only in Iowa but across the nation. Mr. Moss stated there has been an increased demand for thoroughbreds.

Hearing no comments or questions for Mr. Moss, Chair Lamberti called on the Iowa Quarter Horse Racing Enterprises, Inc. d/b/a Iowa Quarter Horse Racing Association (IQHRA). Butch Hammer, Past President, noted the IQHRA had another successful year. One of the highlights was the National Challenge Championships races held at PMR&C for the second time in three years. He stated IQHRA incorporated the Iowa Stakes Championship races with the Challenge Championship races, which gave better recognition to the Iowa-bred horses and promote them nationally. Mr. Hammer stated over \$2,000,000 was paid out in purses over the two days of racing, which was a new record for the American Quarter Horse Association Challenge Championship races. He noted the IQHRA has expanded their "Youth Days" to three days this year. Mr. Hammer advised the IQHRA has distributed between \$125,000 and \$150,000 in scholarships to Iowa youths so they can go to college over the past 16 years. He noted the IQHRA took their Stallion Service Auction "online" this year, which allowed them to set a new record for monies raised to over \$121,000, and attract bidders from all over the country.

Hearing no comments or questions for Mr. Hammer, Chair Lamberti called on the Iowa Harness Racing Association (IHRA). Royal Roland advised the audit received an unqualified opinion. He stated there were 234 foals born in 2014; noting the number of foals has increased every year since the purses were codified. Mr. Roland stated there were 38 days of racing between May 27th and September 27th at Humboldt, What Cheer, Bedford, Oskaloosa, Central City, Eldon, Bloomfield, Monticello, and Sioux Center. Approximately \$1.5 million was paid out last year in purses and breeder's awards to Iowa-registered horses and almost 98% of the payments went to Iowa-registered or Iowa-owned horses. Mr. Roland stated the IHRA has a very positive view regarding the increase in the number of horses; and noted the quality of the horses is also increasing. He advised an Iowa-registered horse is going to be competing in the \$800,000 Meadowlands Pace on July 11th; pointing out that Iowa horses are able to compete at the highest levels.

Mr. Ohorilko asked where the next race meet would be held. Mr. Roland stated racing would be held Friday, Saturday and Sunday at What Cheer.

Chair Lamberti called on Game Play Network, Inc. Greg Avioli, Executive Vice President, advised Game Play Network is an advanced deposit wagering company. They have recently reached an agreement with the IHBPA and PMR&C; and have submitted an application for an

ADW license with the Commission. He noted that he has worked in the horse racing industry since 1997, and has worn many hats and has seen a significant amount of money spent trying to promote horse racing around the United States. He stated that from 1998 to 2008 more than \$300 hundred million was spent on marketing horse racing; however, the result was that handle has gone from approximately \$16 million to just over \$10 million. Mr. Avioli stated the reason people don't bet horses more is that it is too complicated and they don't win enough. He stated Game Play Network has looked at ways to get people to bet more and get more money into the pari-mutuel system. They have developed a program that helps them with their bets. The system was developed over 10 years by looking at millions of races. He stated if an individual wants to bet \$20.00, the system will provide them with ten (10) \$2.00 bets with a combination of win, place, show, exactas and trifectas. The system is designed to return 80 cents for every dollar bet; and 10% of the time, the bettor will win some money. Mr. Avioli stated the bettor will win a lot more with their system than if they just show up and start picking numbers or a horse. The second part of the system is that after the bettor has won, they can push a button on their phone to see how much they have won, or they can play games designed for various skill levels and then see how much they have won. He advised that in April of this year 140 million Americans played games on their phones with 70% of those individuals being over 18. The majority played over 2 hours of games per day. In comparison, he noted that only 2.2 million people bet on horses last year. Mr. Avioli stated Game Play just started this aspect of the business this year, and are licensed in Oregon, California, Colorado, Montana, and Wyoming. He stated they have been approved in every state in which they have applied for a license. They have raised approximately \$20 million in seed capital. He stated that every dollar bet in their system goes into the pari-mutuel pools to the benefit of the racetrack hosting them. He indicated Game Play has had an agreement with PMR&C for over a year. Mr. Avioli stated he is involved to try and bring new money into the horse racing business, to attract people to bet on the pari-mutuel pools. He stated Game Play would be honored to receive a license from the Commission.

Chair Lamberti advised that Mr. Ohorilko had forwarded him the link to try the system, and that it is very different and unique. He asked how the wagers presented on the phone are selected – by computer or randomly? Mr. Avioli stated it is done by an algorithm. He stated the program does not handicap the horses unlike many sites. He stated the program is an overlay into the pari-mutuel pool. He stated that if an individual bet randomly over the whole pool they have a better chance of winning than picking a horse. Mr. Avioli stated they have a combination where a majority of the bets are win-place-show, then \$1.00 exacta and trifecta to give the individual a chance. The system picks the track based on the next track that has a race. He indicated there are agreements in place for 100,000 races throughout the United States, Canada, United Kingdom, France, South Africa, Japan, and Australia. The races are multi-grade and include thoroughbred, quarter horse and standardbred.

Mr. Ohorilko thanked Mr. Avioli for sending the information and demo as it was very helpful. He asked for clarification that the race selections were based on mathematics. Mr. Avioli answered in the affirmative. He asked if the patron has the ability to select their own wager in the game component or is it an easy pick. Mr. Avioli stated the patron has the right to look at the wagers and if they don't like them, they will be provided with another set, and they can continue doing that until they get a set of wagers they like. The patron does not have the ability to pick an

individual one as it would throw the math out the window. He noted there is a sister site powered by Am Tote which allows them to pick their own bets and is similar to TVG or Express Bets. By choosing to go that route, it removes the patron from the game mode and into traditional ADW.

Mr. Ohorilko asked if there is any aspect of skill connected to the game component of the system; he asked if the results would be the same no matter how the patron performs on the game. Mr. Avioli stated the patron's winnings are completely based on the outcome of the horse races. He advised that if the patron plays the games well, they could receive extra points, virtual enhancements, an extra round, etc.

Chair Lamberti asked if the system was up and running at this time. Mr. Avioli answered in the affirmative, noting they have been testing the system for approximately six months and started accepting live customers on a limited basis in California and southern Oregon at the end of the first quarter. They currently have 1,000 account holders who have placed approximately \$100,000 in wagers, and hope to expand that in the next few weeks.

Mr. Avioli stated he was surprised by how low the ADW handle is in Iowa. He advised that comparable-sized racing states have approximately \$80-\$90 million per year in ADW, while Iowa will see approximately \$2 million this year. He indicated there is a great opportunity for growth and feels Game Play's system is a good way to fuel the growth.

As there was no Public Comment, Chair Lamberti moved to Administrative Business. He noted the Commission heard the Petition for Declaratory Order filed by Eugene Kopecky at the June Commission meeting. The Commission directed legal counsel to draft a proposed order, which has been distributed for review. Hearing no comments or questions concerning the proposed order, he requested a motion. Commissioner Mertz moved to approve the Declaratory Order as presented. Commissioner Heinrich seconded the motion, which carried unanimously.

Chair Lamberti moved to the election of the Chair and Vice Chair for Fiscal Year 2016. Commissioner Mertz moved that Mr. Lamberti and Mr. Heinrich remain as Chair and Vice Chair respectively for Fiscal Year 2016. Commissioner Arnold seconded the motion, which carried unanimously.

Hearing no further business to come before the Commission, Chair Lamberti requested a motion to adjourn. Commissioner Kramer so moved. Commissioner Mertz seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

JULIE D. HERRICK